Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1996

CHARLY INTERNATIONAL, APS
CHARLY HOLDINGS, INC.,

Petitioners,

vs.

MCA RECORDS, INC.,

Respondents.

Petition For A Writ Of Certiorari To The Ninth Circuit Court Of Appeals

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Did the district court have jurisdiction over Charly Holdings, Inc. ("Holdings") or Charly International, APS ("International") even though neither company's allegedly tortious actions were expressly aimed at the forum state?

Alternatively, did the court have jurisdiction over Holdings or International even though those two companies do not sell any products anywhere, are not incorporated in the United States, have no offices or employees in the United States, and have no other contacts in the United States?

More generally, is a foreign licensor of worldwide distribution rights to artistic materials subject to jurisdiction in any forum, worldwide, in which the licensed product ultimately happens to land – even if there are no other "contacts" with the forum?

PARTIES

Petitioners Charly Holdings, Inc. ("Holdings") and Charly International, APS ("International") hereby request this Court to issue a writ of certiorari to review the judgment against them herein of the United States Court of Appeals for the Ninth Circuit.

Review is urgently necessary to resolve an issue whose importance is increasing step by step with the ever-accelerating pace of technology: Is a foreign licensor of worldwide distribution rights to artistic materials subject to jurisdiction in any forum, worldwide, where the licensed product ultimately happens to land?

In *Asahi Metal Industry Co., Ltd. v. Superior Court*, 480 U.S. 102 (1987), this Court held that merely placing a product into the stream of commerce, even with knowledge that it might end up elsewhere, is not sufficient to give rise to personal jurisdiction in every such forum. With regard to artistic materials distributed pursuant to a "worldwide" license from a foreign licensor, however, the Ninth Circuit has decided otherwise.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

PARTIES ii

OPINIONS BELOW..... 1

SUPREME COURT JURISDICTION..... 1

STATUTE INVOLVED 2

STATEMENT OF THE CASE..... 2

REASONS FOR GRANTING THE WRIT 7

I. THE NINTH CIRCUIT HAS IMPERMISSIBLY REDEFINED THE MEANING OF "PURPOSEFUL AVAILMENT" IN A WAY THAT UNREASONABLY EXTENDS PERSONAL JURISDICTION OVER FOREIGN LICENSORS OF ARTISTIC MATERIALS 7

II. THE REASONING IN THE NINTH CIRCUIT'S OPINION WOULD ALLOW VIRTUALLY UNLIMITED JURISDICTION OVER WORLDWIDE LICENSORS OF ARTISTIC MATERIALS 12

CONCLUSION 14

TABLE OF AUTHORITIES

Page

CASES

Asahi Metal Industry Co., Ltd. v. Superior Court, 480 U.S. 102 (1987) 11, 14

Benusan Restaurant Corp. v. King, 937 F.Supp. 295 (S.D.N.Y. 1996) 12

Burger King Corp. v. Rudzewicz, 471 U.S. 462 (1985) 8

Calder v. Jones, 465 U.S. 783 (1984) 9, 10, 11, 12

Compuserve, Inc. v. Patterson, 89 F.3d 1257 (6th Cir. 1996) 13

Core-Vent Corp. v. Nobel Indus AB, 11 F.3d 1482 (9th Cir. 1993) 13

Inset Systems, Inc. v. Instruction Set, Inc., 937 F.Supp. 161 (D. Conn. 1996) 13

International Shoe Co. v. Washington, 316 U.S. 310 (1945) 8

Maritz v. Cybergold, Inc., 947 F.Supp. 1328 (E.D. Mo. 1996) 13

McDonough v. Fallon McElligott, Inc., 1996 WL 753991 (S.D. Cal. 1996) 13

Minnesota v. Granite Gate Resorts, 1996 WL 767431 (Minn. Dist. Ct. 1996) 13

Sher v. Johnson, 911 F.2d 1357 (9th Cir. 1990) 8

Sinatra v. National Enquirer, Inc., 854 F.2d 1191 (9th Cir. 1988) 6

World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286 (1980) 10

TABLE OF AUTHORITIES – Continued

Page

STATUTES

28 U.S.C. § 1254(1) 2

U.S. Constitution, 14th Amendment, Section 1.. 2, 7, 11

RULES

Rules of the Supreme Court, Rule 10 .....7, 8

OPINIONS BELOW

The Ninth Circuit's judgment and opinion were entered on February 21, 1997. A copy of the opinion is reproduced as Appendix A to this petition. Respondent MCA Records, Inc. ("MCA") has requested the Ninth Circuit to publish its opinion, and that request is pending.

Petitioners filed a timely petition for rehearing, which the Ninth Circuit denied on March 26, 1997 (see *post* Supreme Court Jurisdiction). On April 10, 1997, the Ninth Circuit entered an amended order regarding the petition for rehearing that again denied the petition but clarified that Judge Rymer had voted to grant rehearing (see *post* Supreme Court Jurisdiction).

The district court granted respondent MCA's motion for summary adjudication brought against Holdings. After summary adjudication, the remaining issues were tried before a jury; and final judgment was entered against Holdings and International on July 26, 1995.[1]

SUPREME COURT JURISDICTION

This petition is timely. Following the original judgment and opinion of the Ninth Circuit, issued on February 21, 1997, petitioners filed a petition for rehearing on March 7, 1997. The petition for rehearing was denied by a

[1] Ironically, and giving additional urgency to this petition, petitioners represent that the court in Belgium has recently ruled that Holdings is the owner of the so-called "Chess" trademark in Benelux (Belgium, Holland, and Luxembourg).

subsequent order, copy attached as Appendix B, entered on March 26, 1997. On April 10, 1997, the Ninth Circuit filed an amended order that again denied the petition but clarified that Judge Rymer had voted to grant rehearing. A copy of the amended order is reproduced as Appendix C.

Subject matter jurisdiction for this petition is conferred by 28 U.S.C. § 1254(1).

STATUTE INVOLVED

United States Constitution, 14th Amendment, Section 1

All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the state wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

STATEMENT OF THE CASE

This case arises out of a dispute over the ownership of the copyrights and trademarks required for the re-release, or "catalog," of over 25,000 rhythm and blues recordings from approximately 1940 to 1970, collectively referred to as the "Chess Masters." Respondent MCA is an American company that claims exclusive ownership of the catalog and its trademark. Petitioners are separate

companies engaged in different aspects of the music re-release business in the European Economic Community. Neither petitioner is, or has ever been, a United States company.

Petitioner Holdings is a foreign corporation which is involved in acquiring rights to catalogs of recordings. It is incorporated under the laws of Panama and has offices in Panama and Switzerland. Holdings is also International's parent company.

Petitioner International is a licensing company incorporated under the laws of, and based in, Denmark. It is a wholly owned subsidiary of Holdings. After Holdings acquires a catalog of recordings, it licenses them to International, which then sublicenses the catalog to independent record manufacturers and wholesalers in different countries. Although International holds a worldwide license from Holdings to the Chess Masters, it has never issued sublicenses for use in the United States. Neither Holdings nor International manufactures or sells records anywhere. Neither Holdings nor International has offices or employees in the United States.

Charly Records, Ltd. ("Records"), an English company that was also a Holdings subsidiary, manufactured and distributed records in England and Eire. Although Records was a defendant and appellant in the earlier proceedings, it is not joined in this petition.[2]

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[2] In this regard, the Ninth Circuit noted that, "There is no evidence that International at any time licensed Records to distribute the Chess Masters in the United States."

MCA commenced this action by complaint filed in 1992 in federal district court in California against the three Charly entities, alleging claims for declaratory relief, trademark infringement, and unfair competition regarding the rights to the Chess Masters. Holdings and International filed answers in which they challenged personal jurisdiction. Rather than make an early motion to dismiss, they unsuccessfully challenged jurisdiction at trial.[3]

At the close of MCA's case, Holdings and International moved for judgment as a matter of law on the ground that the evidence failed to establish that they had systematic and continuous contact in the United States, much less California. (E.R. 998-999.) They also argued that because all of the evidence of damages submitted by MCA pertained to sales outside the United States, the court could not exercise extraterritorial jurisdiction over those sales.

The court agreed that it lacked extraterritorial jurisdiction and ruled that the jury would be instructed that no evidence regarding sales outside the United States could be used to measure damages. (E.R. 1011, 1016.) However, the court also ruled that the evidence of "very

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[3] As the result of MCA's successful summary adjudication motion, which estopped Holdings from asserting ownership of the licensing rights and challenging MCA's claim to exclusive ownership, the only issues left for trial against Holdings and International were jurisdiction, proof of trademark infringement, and damages. At the beginning of the trial, the district court advised the parties that the court, not the jury, would decide the jurisdictional issues at a later time. (E.R. 827:5-21.)

minor" and "minimal" sales in the United States was sufficient to give rise to specific jurisdiction over Holdings and International. (R.T. 12-14-94, pp. 254, 277:26.)[4] The court issued no written order.

Despite admonitions from the court, MCA argued to the jury that the European sales had actually taken place in the United States. (R.T. 12-15-94, pp. 299-303.) In disregard of the court's limiting instructions, the jury applied those figures to reach a $4 million verdict. (R.T. 12-16-94, p. 342.)

Because the jury had disregarded the court's instructions, International and Holdings moved for judgment as a matter of law, or a new trial. (C.R. 365.) The court granted defendants' motion for a new trial, but limited to damages only. (C.R. 374.)

At a later settlement conference, Holdings asked the court whether it had ever made a final ruling as to personal jurisdiction. The court explained that it considered its earlier oral ruling to be its final ruling and would not allow further jurisdictional evidence at the retrial. International and Holdings then reviewed the effect, under English law, of participating in a retrial on damages and concluded that to do so would cause irreparable consequences in the English action. Under principles of English law, appearances by Holdings and International

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[4] In fact, the evidence showed only about $170 of direct sales of Chess product by Records in the United States. (CR 49, ER 617:26.) The trial court characterized the evidence of sales in the United States as "very minor" and "minimal." (RT 12-14-94, pp. 254, 277:26.)

at the retrial would constitute consent to the court's jurisdiction and render a judgment enforceable in England.

International and Holdings unsuccessfully sought the district court's certification of its jurisdictional ruling to permit immediate appellate review (C.R. 394, 408), and also requested a written order to facilitate appeal. (R.T. 3-27-95, p. 8:25.) After the court declined to certify the issue or provide any written order (R.T. 3-27-95, pp. 8:24-9:5), International and Holdings unsuccessfully petitioned the Ninth Circuit for a writ directing the court to vacate its jurisdictional rulings. (No. 95-70339.)

The damages retrial took place without participation by International or Holdings due to the restriction imposed by English law. The court entered a default judgment against all three Charly entities, jointly and severally, in the amount of $5,114,416, and an additional judgment against International and Holdings in the amount of $1,199,678. It also awarded punitive damages of $2,057,598 against Records. (CR 413, 425, 427; ER 1050.)

Holdings and International (and Records) filed an appeal with the Ninth Circuit on August 23, 1995. In a divided opinion, the Ninth Circuit affirmed on the grounds that the Charly entities "purposefully availed" themselves of the privilege of conducting business in California, citing *Sinatra v. National Enquirer, Inc.*, 854 F.2d 1191 (9th Cir. 1988) (purposeful availment found if the defendant has "performed some type of affirmative conduct which allows or promotes the transaction of business within the forum state").

As to Holdings and International, the majority based its finding of purposeful availment on two things: (1)

Holdings' license to International and International's license of one song to the makers of "The Crying Game"; and (2) the inference that Holdings and International "knew or should have known" that MCA was a California corporation, and that their licensing of the Chess Masters would result in "infringing products" being distributed in the United States. In substance, the Ninth Circuit thus held that Holdings and International were subject to specific jurisdiction in California because they were involved in a stream of commerce in artistic materials that ultimately ended up in California.

REASONS FOR GRANTING THE WRIT

I.

THE NINTH CIRCUIT HAS IMPERMISSIBLY REDEFINED THE MEANING OF "PURPOSEFUL AVAILMENT" IN A WAY THAT UNREASONABLY EXTENDS PERSONAL JURISDICTION OVER FOREIGN LICENSORS OF ARTISTIC MATERIALS

In holding that a foreign licensor of worldwide distribution rights to artistic materials is subject to jurisdiction in any forum in which the licensed product ultimately lands, the Ninth Circuit has dramatically changed the established constitutional meaning of "purposeful availment," drastically reducing Fourteenth Amendment due process protections for those whose products are place in the ever-broadening international stream of commerce.

Preservation of the Fourteenth Amendment due process guarantee is plainly a "compelling" matter warranting certiorari. Supreme Court Rule 10. Moreover, the

opinion below, which reformulates the meaning of purposeful availment under the Constitution, has "so far departed from the accepted and usual course of proceedings . . . as to call for exercise of this Court's supervisory power." Supreme Court Rule 10(a).

The Fourteenth Amendment prohibits the exercise of personal jurisdiction over a nonresident defendant unless the defendant has "certain minimum contacts with the forum state such that maintenance of the suit does not offend traditional notions of fair play and substantial justice." *International Shoe Co. v. Washington*, 316 U.S 310, 316 (1945). Under the due process analysis, personal jurisdiction may be either "general" or "specific." General jurisdiction may be exercised only where the defendant's activities in the forum state are "extensive or wide-ranging," or "continuous and systematic." *Sher v. Johnson*, 911 F.2d 1357, 1361 (9th Cir. 1990). Specific jurisdiction exists over the defendant only if the defendant purposely directed its activities toward residents of the forum state; there is a nexus between the specific causes of action alleged in the complaint and the defendant's forum-related activities; and the exercise of jurisdiction would be reasonable. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 477-78 (1985).

The Ninth Circuit held that Holdings' and International's contacts fell "well short of that required for general

jurisdiction."[5] However, in a divided opinion, the court held that Holdings' license to International, and International's license to a British company, of one song for use in a movie soundtrack record (not the movie itself),[6] for "The Crying Game," that was ultimately shown in California, was sufficient to justify the exercise of specific personal jurisdiction over International and Holdings.

The court based its holding principally upon *Calder v. Jones*, 465 U.S. 783, 789 (1984). There, this Court ruled that due process allows the exercise of specific jurisdiction over a nonresident defendant where the defendant's intentional and tortious actions, taken outside the forum state, are expressly directed at causing a harmful effect within the forum state. *Calder*, 465 U.S. 783, 789 (1984).

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[5] However, it also noted that "many of the contacts identified by MCA provide no support for a finding of purposeful availment." Specifically:

> Holdings' purported purchase of the Chess Masters from a Louisiana corporation clearly does not qualify as a contact with California. Likewise, although MCA makes much of the fact that Holdings' name was found on the back of numerous CDs distributed in California, there is no evidence that Holdings (and not Records) was responsible for including it there. As for International's license to Records, it cannot support jurisdiction because it specifically excluded the United States from its territory. Lastly, the flyer International distributed in Florida cannot support a finding of purposeful availment without evidence that negotiations with a California buyer resulted.

[6] See SER at 102, where the subject of the license is defined as the "Soundtrack record entitled 'The Crying Game.' " The territory is defined as "the World."

Calder held that jurisdiction is proper under such circumstances because the defendant knows that, although he acts outside of the forum state, the "brunt" of the injury from his intentional conduct will be felt within the forum state. There is no due process violation in the exercise of jurisdiction in such a case since the intentional act was expressly aimed at the forum state and the defendant therefore must "reasonably anticipate being haled into court there." *Id., citing World-Wide Volkswagen Corp. v. Woodson,* 444 U.S. 286, 297 (1980).

Looking to *Calder,* the majority characterized the present trademark claim as an intentional tort, holding that Holdings' and International's acts constituted purposeful availment because (1) Holdings and International "knew or should have known" that MCA was a California corporation, and (2) Holdings and International "knew or should have known" that their licensing of the Chess Masters and trademarks would result in infringing products being distributed in the United States.

With all respect, this is not so. At most, International's license to the makers of "The Crying Game" for the soundtrack (not the movie) placed one song into the worldwide stream of commerce. There was no evidence, moreover, that the soundtrack album or its packaging contained any reference to Holdings, International, or the "Chess" name or logo. As a result, and even putting aside the fact that this sequence says nothing at all about *Holdings,* it cannot constitute purposeful availment as to International – at least unless this Court is willing to conclude that International was subject to jurisdiction anywhere in the world that the soundtrack ultimately

was sold. That conclusion, we submit, would violate both the reasoning in *Asahi* and common sense.

Under *Calder*, moreover, the fact that a defendant using ordinary care might reasonably "foresee" that its activities will have an effect in the forum state is not sufficient; the act must be *expressly aimed* at that state. *Calder*, 465 U.S. at 789. The Supreme Court squarely addressed and dispositively decided this issue in *Asahi*, *supra*, holding that merely placing a product in the stream of commerce, even with the awareness that the product could eventually reach the forum state, "is not an act of the defendant purposefully directed toward the forum State," and therefore does not satisfy Fourteenth Amendment due process. *Asahi*, 480 U.S. at 112.

Although the Ninth Circuit cites *Asahi* for other propositions, it fails to apply the central principle of that case. Instead, the Ninth Circuit held that constructive knowledge of the potential for eventual distribution of a product in the forum state *will* satisfy purposeful availment. This expansive view is directly contrary to *Asahi;* and it effectively negates the constitutional meaning of purposeful availment, overriding the purpose of the requirement itself: that a defendant who purposely aims his activities at a certain state can reasonably expect to have to defend himself in that form. Unless this Court grants review, the result will be worldwide jurisdiction over licensors of artistic materials, at least with respect to plaintiffs who reside in the Ninth Circuit.

II.

THE REASONING IN THE NINTH CIRCUIT'S OPINION WOULD ALLOW VIRTUALLY UNLIMITED JURISDICTION OVER WORLDWIDE LICENSORS OF ARTISTIC MATERIALS

In its opinion, the Ninth Circuit recognized that Holdings' and International's activities in granting a worldwide, nonexclusive license were most likely insufficient to establish purposeful availment. Specifically, the court stated that:

> We recognize that, were Holdings and International not guilty of an intentional tort, the commercial aspects of their activities – granting a worldwide nonexclusive license – would most likely be insufficient to establish purposeful availment in California.

However, through its misapplication of *Calder,* the court nonetheless essentially concluded that the act of worldwide licensing is by its very nature "expressly aimed" at every forum which the licensed product ultimately reaches.

Under this expansive approach, however, every participant in the long chain of production and licensing that characterizes the worldwide distribution of artistic creations – not to mention participants in the creation and licensing of intellectual property released without limitation into the worldwide market through unregulated electronic channels such as the Internet[7] – would be subject to personal jurisdiction in any forum in which the

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[7] *See, for example, Benusan Restaurant Corp. v. King,* 937 F.Supp. 295 (S.D. N.Y. 1996) (commercial website that allegedly infringed a New York jazz club's "The Blue Note" trademark,

licensed work ultimately is distributed. That is not and cannot be the law.

In dissent, Judge Rymer likewise rejected an expansive view of personal jurisdiction based on a theory that the "harm" to MCA necessarily occurred in California just because MCA happened to be incorporated here:

> Nor do I believe that MCA has shown that the brunt of its harm was suffered in California just because it is incorporated here, as "[a] corporation does not suffer harm in a particular geographic location in the same sense that an individual does." *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1486 (9th Cir. 1993.) Otherwise, any foreign company accused of trademark

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without more, will not confer jurisdiction); and *McDonough v. Fallon McElligott, Inc.*, 1996 WL. 7539911 (S.D. Cal. 1996) (fact that the Minnesota defendant operated a worldwide website that allegedly violated a copyright held by a California photographer did not constitute "purposeful availment," distinguishing both *Calder* and *Sinatra*).

But see Maritz v. Cybergold, Inc., 947 F.Supp. 1328 (E.D. Mo. 1996) (website that could be accessed in Missouri was sufficient to confer general jurisdiction for trademark infringement in Missouri) and *Minnesota v. Granite Gate Resorts*, 1996 WL 767431 (Minn. Dist. Ct. 1996) (operator of Nevada website offering gambling services subject to jurisdiction in Minnesota).

See also Compuserve, Inc. v. Patterson, 89 F.3d 1257 (6th Cir. 1996) (Texas defendant subject to jurisdiction in Ohio by virtue of having entered into a contract with an Ohio company to market software via the Internet); and *Inset Systems, Inc. v. Instruction Set, Inc.*, 937 F.Supp. 161 (D. Conn. 1996) (foreign corporation's advertising via the Internet sufficient to satisfy the "solicitation of business" provision of the forum state's long-arm statute).

> infringement could be sued wherever the domestic company is incorporated.

This is precisely the type of unlimited assertion of personal jurisdiction that *Asahi* seeks to avoid. *Asahi* holds that constructive or even *actual* knowledge that a product may find its way to the forum through the stream of commerce "does not convert the mere act of placing the product into the stream into an act purposefully directed toward the forum State." *Asahi*, 480 U.S. at 112. The Ninth Circuit, however, held otherwise. Indeed, the Ninth Circuit holds that quite apart from actual knowledge, *constructive* knowledge, i.e., that petitioners "knew or should have known," is sufficient.

Importantly, if the reasoning adopted by the Ninth Circuit were correct, all worldwide licensors would be subject to jurisdiction in any American state. Determinations of reasonableness and expectation would no longer be significant factors in the jurisdictional analysis; and a foreign licensor who has never directly licensed any product for distribution in the United States, or even conducted business in the United States, would nonetheless be subject to suit in any state. Stated another way, the availment need no longer be "purposeful" – and this result would be extreme, unprecedented, and unconstitutional.

CONCLUSION

The Ninth Circuit's disposition of this case represents a far-reaching challenge to well-established Fourteenth Amendment principles of due process. It affects every

entity involved in the chain of artistic licensing, and ultimately every entity that touches a product in the unlimited and increasingly international stream of commerce. As the pace of technology increases, carrying with it an ever-increasing availability of artistic materials in the "stream of commerce" worldwide, the expansive view of jurisdiction adopted by the Ninth Circuit herein will likewise pose an ever-increasing threat to fundamental fairness and constitutional due process.

For all these reasons, petitioners Holdings and International submit that this is a case that urgently warrants this Court's attention. This petition should therefore be granted.

Respectfully submitted,

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APPENDIX A

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

MCA RECORDS, INC., Plaintiff-Appellee, v. CHARLY RECORDS LTD; CHARLY HOLDINGS, INC.; CHARLY INTERNATIONAL APS, Defendants-Appellants.	No. 95-56260 D.C. No. CV-92-00200-RSWL **MEMORANDUM*** (Filed Feb. 21, 1997)

Appeal from the United States District Court for the Central District of California
Ronald S.W. Lew, District Judge, Presiding

Argued and Submitted June 3, 1996
Pasadena, California

BEFORE: BRUNETTI and RYMER, Circuit Judges, and TANNER,* District Judge

Plaintiff MCA Records, Inc., brings this trademark action against three foreign corporations. The district court entered default judgments against all three defendants. On appeal, the only issue raised by Defendants is

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*This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by 9th Cir. R. 36-3.

*Hon. Jack E. Tanner, Senior United States District Judge for the Western District of Washington, sitting by designation.

whether the district court's jurisdiction over them was exercised in accordance with the Due Process Clause. We have jurisdiction pursuant to 28 U.S.C. § 1291 and affirm the judgment of the district court.

FACTS AND PROCEEDINGS BELOW

This lawsuit arises out of a dispute over the ownership of the "Chess Masters," a collection of over 20,000 American rhythm and blues recordings from 1947-1975. In 1985, Plaintiff MCA Records, Inc., a California corporation, purchased perpetual, worldwide rights in the Chess Masters from Sugarhill Records, Inc. As part of the agreement, MCA acquired the exclusive rights to the "Chess" trademarks, which MCA proceeded to register with the U.S. Patent and Trademark Office.

Defendants are three related foreign corporations. Charly Holdings, Inc. ("Holdings") is the parent company of both Charly International, APS ("International") and Charly Records Ltd. ("Records"). A Panamanian corporation with offices in Panama and Switzerland, Holdings is involved in the business of acquiring rights to catalogs of recordings. In 1987, Holdings purportedly purchased nonexclusive worldwide rights to the Chess trademarks and Chess Masters recordings from Red Dog Express, Inc., a Louisiana corporation.[1]

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[1] In an action brought by MCA, the Los Angeles Superior Court determined that Red Dog and its owner, Marshall Sehorn, never in fact had any rights to the Chess Masters. *MCA Records, Inc. v. Marshall Sehorn*, No. BC002490 (LASC Sept. 11, 1992).

International, a wholly-owned subsidiary of Holdings, is a licensing company incorporated under the laws of, and based in, Denmark. After Holdings acquires the rights to recordings, it licenses them to International, which then sublicenses them to various record manufacturers and wholesalers. In accordance with this arrangement, Holdings granted to International a worldwide license to its Chess catalog.

Records, another wholly-owned subsidiary of Holdings, is an English company, with offices in London, engaged in the record manufacturing and distribution business. Pursuant to agreement, International sublicensed its rights in the Chess catalog and Chess trademarks to Records, which proceeded to manufacture and distribute the Chess recordings using the Chess trademarks.

In 1992, MCA brought this action against the three Charly entities alleging claims for trademark and various state-law violations and seeking declaratory, injunctive, and monetary relief. Records was served first and moved to dismiss the action for lack of personal jurisdiction. The district court denied Records' motion, finding that MCA had made a prima facie showing of jurisdiction. After Records unsuccessfully sought certification for an interlocutory appeal from this ruling, it failed to answer the complaint and its default was entered. Records now claims to have defaulted because anything else would have been deemed a "voluntary submission" to the district court's jurisdiction under English law. Records believes that, so long as it does not defend on the merits, any judgment will not be enforceable in England because

under English law the district court clearly lacked jurisdiction.

Holdings and International filed answers in which they challenged personal jurisdiction. They did not, however, make a motion to dismiss. Prior to trial, the district court granted MCA's motion for summary judgment on its declaratory relief claim, ruling that Holdings and International "do not now have, and never have had, any right, title, or interest in and to the Chess Masters, and MCA has the exclusive right, title, and interest in and to the Chess Masters." MCA's remaining claims proceeded to trial before a jury.

At the conclusion of MCA's case, Holdings and International moved for judgment as a matter of law on several grounds, including lack of personal jurisdiction. The district court denied their motion. At the conclusion of the trial, the jury returned a general verdict in MCA's favor, awarding damages against Holdings in the amount of $3.6 million and against International in the amount of $400,000.

Because the jury improperly considered record sales outside the United States in reaching its verdict, the district court granted Holdings and International a new trial on the issue of damages. Prior to the retrial, Holdings and International unsuccessfully sought certification from the district court for an interlocutory appeal of its jurisdictional ruling, and unsuccessfully petitioned this

Court for a writ of mandamus. Holdings and International then decided to default rather than defend the retrial.[2]

On July 27, 1995, the district court entered a judgment granting MCA declaratory and injunctive relief and awarding MCA: $5,114,416 to be recovered from all three Charly defendants, jointly and severally; $1,199,678 to be recovered from Holdings and International, jointly and severally; and $2,057,598 in punitive damages plus reasonable attorneys' fees against Records. The Charly defendants appeal from this judgment, challenging only the district court's exercise of personal jurisdiction.

DISCUSSION

Defendants contend that the district court's exercise of personal jurisdiction over them violated the Fourteenth Amendment Due Process Clause.[3] Due process requires that a defendant have certain minimum contacts with the forum state before a court may exercise jurisdiction over the defendant. "The overriding constitutional principle is that maintenance of an action in the forum must not offend 'traditional conception[s] of fair play and

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[2] Apparently, Holdings and International decided to default for the same reason as Records.

[3] Although the exercise of personal jurisdiction must also have comported with California's personal jurisdiction rule, California's rule is "coextensive with the outer limits of due process. . . ." *Data Disc, Inc. v. Systems Tech. Assoc.*, 557 F.2d 1280, 1286 (9th Cir. 1997). A due process analysis is therefore determinative of whether the exercise of jurisdiction was proper.

substantial justice.' " *Sher v. Johnson*, 911 F.2d 1357, 1361 (9th Cir. 1990) (quoting *International Shoe Co. v. Washington*, 326 U.S. 310, 320 (1945)). The defendant's "conduct and connection with the forum State" must be such that the defendant "should reasonably anticipate being haled into court there." *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980); *Sher*, 911 F.2d at 1361.

Personal jurisdiction may be either "general" or "specific." General jurisdiction may apply "whe[n] a defendant's activities in the state are 'substantial' or 'continuous and systematic,' even if the cause of action is unrelated to those activities." *Sher*, 911 F.2d at 1361 (quoting *Data Disc, Inc. v. Systems Tech. Assoc.*, 557 F.2d 1280, 1287 (9th Cir. 1977)). When a defendant's contacts with the forum state are not sufficiently substantial to invoke general jurisdiction, specific jurisdiction may nevertheless be invoked if the contacts the defendant does have give rise to the cause of action being asserted. *Id.*

This Circuit uses a three part test for analyzing whether the exercise of specific jurisdiction satisfies the requirements of due process:

> (A) some action must be taken whereby defendant purposefully avails himself or herself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of the forum's laws;
>
> (B) the claim must arise out of or result from defendant's forum-related activities; and
>
> (C) exercise of jurisdiction must be reasonable.

Id.

While a plaintiff ultimately bears the burden of proving by a preponderance of the evidence that jurisdiction is appropriate, at the motion to dismiss stage a plaintiff need only make a prima facie showing of jurisdictional facts. *Id.* Because Records defaulted after the district court denied its motion to dismiss, MCA need only have made a prima facie showing of jurisdiction over Records. Because Holdings and International proceeded to trial, the evidence presented at trial must have demonstrated, by a preponderance of the evidence, that jurisdiction was properly exercised over Holdings and International. The district court's factual findings must be accepted unless clearly erroneous, but the ultimate question of whether personal jurisdiction was properly exercised is a question of law reviewed de novo. *Reebok Int'l, Ltd. v. McLaughlin*, 49 F.3d 1387, 1390 (9th Cir.), *cert. denied*, 116 S.Ct. 276 (1995); *Gray & Co. v. Firstenberg Machinery Co.*, 913 F.2d 758, 760 (9th Cir. 1990).

I. Charly Records

A. Contacts

Records' California contacts asserted by MCA are of two types: sales and advertising.

1. Sales

a. to "Down Home"/"Roots and Rhythm"

MCA submitted the deposition of Franklyn Scott, the president and vice-president of Roots and Rhythm, Inc. and formerly an officer of Down Home Music, Inc. Roots and Rhythm and Down Home are a mail order and retail

record business, respectively, and both are located in El Cerrito, California. Scott testified that Down Home (and later Roots and Rhythm) had been selling Charly recordings in California since the formation of Charly in the 1970s. Charly Records, Ltd. was incorporated in 1981 and began releasing Chess recordings in August 1988. Since that time, Charly Records' recordings, including Chess recordings, have been among those sold by Down Home in California.

Prior to 1988, Down Home bought its Charly products from a company called Street Level Trading Co. Although MCA submitted evidence indicating that Street Level was not completely independent from Records, this evidence is largely irrelevant because Records did not produce Chess recordings until August 1988. About that time (August 1988), and lasting until early 1990, Street Level and Records began having problems. When Street Level and Records were having problems, Down Home would purchase directly from Records in London. Included among these direct purchases were seventeen Chess recordings (totalling £59.50) ordered on September 19, 1988, and fourteen Chess recordings (totalling £49.00) ordered on November 25, 1988.

In early 1990, Street Level and Records terminated their relationship. In an April 11, 1990 letter, Records informed Down Home that it should thereafter order directly from Records, with the "export invoicing" to be handled by Expan Marketing, Ltd. At the time of Scott's deposition in April 1992, Roots and Rhythm continued to place orders directly with Records, which would then fill the orders via Expan Marketing. Orders from May 7, 1990

to February 4, 1992, indicate that Down Home ordered over 452 Chess recordings directly from Records.

b. to "Tower Records"

MCA also submitted the declaration of Harvey Geller, one of MCA's attorneys, who declared that on May 24, 1991, he bought two Records recordings, one of which was from the Chess Masters, at a Tower Records store in West Hollywood, California. No evidence was presented as to how the recordings made their way to California.

2. Advertisements

a. Billboard Ad

Billboard Magazine is a weekly music industry magazine distributed worldwide, including in Southern California. In the November 30, 1991 edition, in an advertising supplement devoted to a company called "Media 7," was an ad that stated, "CHARLY RECORDS CELEBRATES 10 YEARS OF JOY WITH MEDIA 7!" Below the statement was pictured four Charly products, including a collection by Chuck Berry containing Chess recordings and depicting the Chess trademark. Records contends that Media 7 is a French distribution company and that Records placed the ad with Billboard Ltd. (a British company) with the intent of reaching customers in France.

b. the Catalog

Records distributed a catalog of its products. The 1991 catalog included numerous products containing Chess recordings. Records printed an offer to sell the catalog for $3 on the back of its CDs, at least some of which found their way to Southern California. Records also sent several hundred copies to Down Home and Roots and Rhythm in California, which would distribute them to their customers. The customers could then order anything in the catalog from Roots and Rhythm. Finally, Records mailed a few of its catalogs to California residents.

c. other promotional material

About once a month, Records also sent letters and other promotional material to Down Home. Included among this material was a new release list containing Chess recordings, a promotional letter touting Chess recordings, and brochures advertising Chess recordings.

B. General Jurisdiction

Records' contacts with California are not of a sufficiently substantial nature to justify the exercise of general jurisdiction. *See Helicopteros Nacionales de Columbia S.A. v. Hall*, 466 U.S. 408, 410-11, 418-19 (1984) (holding no general jurisdiction despite sales negotiations, purchasing of equipment, and training of personnel in forum state).

C. Specific Jurisdiction

1. Purposeful Availment

The purposeful availment requirement is satisfied if the defendant has "performed some type of affirmative conduct which allows or promotes the transaction of business within the forum state." *Sinatra v. National Enquirer, Inc.*, 854 F.2d 1191, 1195 (9th Cir. 1988). It is "designed to ensure that the defendant is not haled into court as the result of random, fortuitous or attenuated contacts, or on account of the unilateral activities of third parties." *Shute v. Carnival Cruise Lines*, 897 F.2d 377, 381 (9th Cir. 1990), *rev'd on other grounds*, 499 U.S. 585 (1991). As noted by the court in *Sinatra*, "the solicitation of business in the forum state that results in business being transacted or contract negotiations will probably be considered purposeful availment." *Sinatra*, 854 F.2d at 1195; *see also Shute*, 897 F.2d at 382-83 (holding that advertising, conducting promotional seminars, and paying commission on sales within the forum state were "more than sufficient to meet the purposeful availment test").

Records has purposefully availed itself of the privilege of conducting business in California. It advertised, promoted, and sold its products directly to Down Home Records in El Cerrito, California. While Records contends that the Chess products it sold to Down Home were inconsequential (amounting to a total of £108.50 or $170.00 over an eighteen-month period prior to April, 1990), Records fails to acknowledge that Down Home continued to place substantial orders with Records after April, 1990. Although Expan Marketing Ltd. may have

filled Down Home's orders during this period, the evidence indicates that the orders were placed directly with Records. Thus it was Records' affirmative conduct, and not solely the unilateral activity of Expan, that was responsible for selling Records' products to Down Home after April, 1990. Moreover, it was reasonable for the district court to find that the products sold included over 452 Chess recordings during this period.

Even apart from these sales, Records directly promoted its products, including its Chess products, to Down Home in California. Although the Billboard ad and the catalog offer printed on the back of Records' CDs likely made their way to California through the conduct of third parties (and are therefore insufficient to establish purposeful availment), the advertising materials Records sent to Down Home, including catalogs, brochures, and letters, are more than sufficient to demonstrate an affirmative effort on the part of Records to market its products in California. Included among these products were those derived from the Chess Masters.

The evidence submitted by MCA is more than sufficient to make a prima facie showing of "purposeful availment" on the part of Records.

2. Arising Out Of

This Circuit applies a "but for" test to determine whether a claim arises out of a defendant's forum-related activities. *Ballard v. Savage*, 65 F.3d 1495, 1500 (9th Cir. 1995). Records does not contend that the arising out of requirement is not met. But for Records advertisement

and sale of Chess recordings, MCA's rights in those recordings and related trademarks would not have been infringed. Because some of the advertisement and sales activity was directed to California, MCA's claims arise out of this forum-related activity. *See generally Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 780-81 (1984) (recognizing that a defendant may sue in any forum with which the defendant has minimum contacts and may seek recovery for damages suffered in other forums); *Vencedor Mfg. Co. v. Gougler Industries, Inc.*, 557 F.2d 886, 892 (1st Cir. 1977) (fact that defendant's sales in forum were less than .5 percent of its total sales volume is irrelevant, so long as its sales there are part of a "regular course of dealing, and are not isolated or exceptional events").

3. Reasonableness

Because Records' contacts satisfy the purposeful availment requirement, personal jurisdiction is presumptively reasonable. *Sher*, 911 F.2d at 1364. The burden falls on Records to present a compelling case that the exercise of jurisdiction would be so unreasonable as to violate due process. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 477 (1985); *Sher*, 911 F.2d at 1364. In determining the reasonableness of jurisdiction, this Circuit has identified the following factors to consider: the extent of the defendant's purposeful interjection into the forum state; the burden on the defendant of defending in the forum state; the extent of conflict with the sovereignty of the defendant's state; the forum state's interest in adjudicating the dispute; the most efficient forum for judicial resolution of the dispute; the importance of the chosen forum to the

plaintiff's interest in convenient and effective relief; and the existence of an alternative forum. *Sher*, 911 F.2d at 1364; *Sinatra*, 854 F.2d at 1198-99.

a. extent of purposeful interjection

The purposeful interjection factor is analogous to the purposeful availment factor discussed above. *Sinatra*, 854 F.2d at 1199; *see Corporate Investment Business Brokers v. Melcher*, 824 F.2d 786, 790 (9th Cir. 1987) ("Ninth Circuit cases give the 'purposeful interjectment' factor no weight once it is shown that the defendant purposefully directed its activities to the forum state. . . . "). It does not weigh against jurisdiction.

b. burden on the defendant

Records makes no argument as to why the exercise of jurisdiction would be burdensome. While defending oneself in a foreign country should be accorded "significant weight" in assessing the reasonableness of jurisdiction, *Asahi Metal Industry Co. v. Superior Court*, 480 U.S. 102, 114 (1987), "modern advances in communication and transportation have significantly reduced the burden on litigating in another country." *Sinatra*, 854 F.2d at 1199. In the absence of a developed argument as to why the exercise of jurisdiction would be unreasonably burdensome on Records, this factor should not weigh against jurisdiction.

c. conflict with sovereignty of defendant's state

The Supreme Court has cautioned that "[g]reat care and reserve should be exercised when extending our notions of personal jurisdiction into the international field." *Asahi*, 480 U.S. at 115 (citation omitted); *see also FDIC v. British-American Ins. Co.*, 828 F.2d 1439, 1444 (9th Cir. 1987) (stating that litigation against an alien defendant creates a higher jurisdictional barrier than litigation against a citizen from a sister state because of important sovereignty concerns). English sovereignty will not be undermined by this action, however, for MCA asserts claims based on Defendants' violation of MCA's rights in the United States under United States trademark law, and seeks recovery of only those damages incurred in the United States. As Records' own British solicitor acknowledged, "[t]he English Court can no more determine the validity of claims for infringement of USA Trademark than this Court could such claims in respect of English Trademarks." While Records points to its decision to default rather than defend this action as evidence of the conflict with English sovereignty, its decision was merely a strategic one made after the district court's finding of jurisdiction, and does not reflect an actual conflict with English sovereignty.

d. California's interest

"California maintains a strong interest in providing an effective means of redress for its residents tortiously injured by commercial misappropriation." *Sinatra*, 854 F.2d at 1200. As MCA is a California corporation with its

principle place of business in California and is alleging tortious interference with its commercial property rights, California's interest weighs in favor of jurisdiction.

e. efficiency and effectiveness of forum

MCA can only obtain effective relief for the alleged infringement of its federally-protected trademark rights in the United States. Within the United States, California is the most efficient forum because it is where most of MCA's witnesses are located.

f. existence of an alternative forum

Records has failed to identify any other forum available for redressing the harm to MCA's federally-protected trademark rights caused by Records' alleged sales of infringing recordings in the United States. In any event, "[w]hether another reasonable forum exists becomes an issue only when the forum state is shown to be unreasonable." *Sinatra,* 854 F.2d at 1201 (citation omitted).

Taking all of the factors as a whole, Records has failed to demonstrate that the exercise of specific jurisdiction is so unreasonable as to violate due process. By advertising and selling allegedly infringing products in California, Records should reasonably expect to be haled into a California court to defend an infringement action.

II. Charly Holdings and Charly International

A. Contacts

1. Licensing

Holdings purported to acquire worldwide rights to the Chess Masters and trademarks from Red Dog Express, Inc., a Louisiana corporation. Pursuant to the acquisition agreement, Chess Masters were physically delivered from the United States to Holdings. Charly Holdings then purported to license worldwide rights to the Chess Masters and trademarks to International, its wholly-owned subsidiary. International in turn conveyed Chess Masters to Records and granted Records the non-exclusive right to market the Chess Masters in the United Kingdom and Eire. There is no evidence that International at any time licensed Records to distribute the Chess Masters in the United States. As part of the license agreements, both Holdings and International received royalties on each unit sold by Records.

Apart from its deal with Records, International also licensed rights in the song "White Cliffs of Dover," one of the Chess Masters, for worldwide use in the motion picture "The Crying Game." The film was exhibited in California, and International received on-screen credit for licensing the rights to the song. Additionally, the song was contained in the soundtrack album, which was sold in California.

2. Florida Flyer

Someone distributed a flyer at a national music conference held in Florida in March of 1993 that contained

the Chess trademark and stated, "Charly International your safe source for Chess, Argo, Cadet. Call us collect. . . . "

3. Names on Recordings

Some of the CDs sold by Records in California gave credit to Holdings and/or International on the back cover. Sometimes there would be a circled "p" or "c" next to Holdings' name. MCA contends that these marks evidenced Holdings' claim to United States copyright protection for its allegedly infringing Chess recordings.

B. General Jurisdiction

Holdings' and International's contacts fall well short of that required for general jurisdiction.

C. Specific Jurisdiction

1. Purposeful Availment

In determining whether Holdings or International have purposefully availed themselves of the privilege of conducting business in California, only their own contacts that are relevant. Because the corporate separation between Holdings and International is real, the contacts of one may not be imputed to another, even though they are related. *Transure, Inc. v. Marsh and MacKennan, Inc.*, 766 F.2d 1297, 1299 (9th Cir. 1985).

Many of the contacts identified by MCA provide no support for a finding of purposeful availment. Holdings'

purported purchase of the Chess Masters from a Louisiana corporation clearly does not qualify as a contact with California. Likewise, although MCA makes much of the fact that Holdings' name was found on the back of numerous CDs distributed in California, there is no evidence that Holdings (and not Records) was responsible for including it there. As for International's license to Records, it cannot support jurisdiction because it specifically excluded the United States from its territory. Lastly, the flyer International distributed in Florida cannot support a finding of purposeful availment without evidence that negotiations with a California buyer resulted.

Holdings' license to International and International's license to the makers of "The Crying Game" do, however, satisfy the purposeful availment requirement. Trademark infringement is a commercial tort. *See Int'l Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 915 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981) (noting that Lanham Act protects against two types of "the broad business tort of 'unfair competition' "). One who intentionally directs a tort at a forum's resident is ordinarily subject to jurisdiction in the forum state. *Calder v. Jones*, 465 U.S. 783, 788-90 (1984); *see Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1492 (9th Cir. 1993) (Wallace, C.J., dissenting); *Brainerd v. Governors of the University of Alberta*, 873 F.2d 1257, 1258-59 (9th Cir. 1989); *see also Lipton v. The Nature Co.*, 781 F.Supp. 1032, 1036 (S.D.N.Y.1992) ("The licensor of an infringing trademark commits a predicate tort for the purpose of New York long-arm jurisdiction by the act of licensing, and may be held accountable in New York.").

Holdings and International argue that the brunt of the injury, if any, was not felt in California because only a small number of Chess recordings were actually sold in California. However, while some courts have held that the tort of trademark infringement occurs where the defendant sells or attempts to sell the offending product, *e.g. Schieffelin & Co. v. Jack Co. of Boca, Inc.*, 725 F.Supp. 1314, 1318 (S.D.N.Y.1989), the brunt of the injury is nevertheless borne by the alleged trademark owner where the owner resides. So long as Holdings and International were aware of MCA's rights in the Chess Masters and trademarks, knew that MCA was a California corporation, and knew that their licensing of the Masters and trademarks would result in infringing products being distributed in the United States, a finding of purposeful availment is appropriate under *Calder*.

The evidence presented at trial would support the district court finding all of these facts by a preponderance of the evidence. Bruce Resnikoff, the senior vice-president and general manager of special markets and products at MCA, testified that MCA's acquisition of the Chess Masters in 1985 was publicized in virtually every music periodical in the world, as well as in non-music press. Additionally, Resnikoff testified that someone from MCA contacted Charly Holdings on more than one occasion and informed them that they were infringing MCA's rights in the Chess Masters. From this testimony, the district court could reasonably infer that Holdings and International knew or should have known that MCA was a California corporation and that their licensing of the Chess Masters would infringe MCA's rights. Additionally, the district court could reasonably infer from the

licensing agreements that Holdings and International should have known that their licensing of the Chess Masters and trademarks would result in infringing products being distributed in the United States. Thus, *Calder* applies and the purposeful availment requirement is met.

We recognize that, were Holdings and International not guilty of an intentional tort, the commercial aspects of their activities – granting a worldwide, nonexclusive license – would most likely be insufficient to establish purposeful availment in California. However, because Holdings and International have committed an intentional tort knowing that the effects would be borne by a California resident, the purposeful availment requirement is satisfied.

2. Arising Out Of

As with Records, Holdings and International do not contend that the "arising out of" requirement is not met. But for their licensing of the Chess Masters, infringing products would not have been distributed in the United States.

3. Reasonableness

a. extent of purposeful interjection

In the case of an intentional tortfeasor purposefully directing its actions at a California resident, this factor weighs in favor of jurisdiction.

b. burden on the defendant

As with Records, Holdings and International make no argument as to why the exercise of jurisdiction would be burdensome. As with Records, this factor does not weigh against jurisdiction in the absence of such an argument.

c. conflict with sovereignty of defendant's state

Citing *Rano v. Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993), Holdings and International argue that jurisdiction over them would be unreasonable because they are foreign licensors who licensed the Chess Masters on a worldwide basis to foreign licensees. If a California court has jurisdiction over them, they argue, it also "has jurisdiction over every artist, performer, and author in the world, as well as every other entity in the long chain of licensing and production."

Rano was a professional photographer and citizen of Great Britain who licensed his photographs to a French corporation, Sipa Press, which then sublicensed the photographs to magazine publications and other users. *Id.* at 583. Sometime after Rano and Sipa Press had a business disagreement, Rano moved to California and canceled the license agreement. *Id.* at 583, 588. Eventually, Rano sued Sipa Press and its owner, Sipahioglu, for copyright infringement in California. *Id.* at 583. Sipahioglu moved to dismiss for lack of personal jurisdiction, the district court granted the motion, and we affirmed. *Id.* at 587-88. Although Sipahioglu was alleged to have caused and

profited from Sipa's licensing of the photographs to magazine publications Sipahioglu knew would be distributed in California, this was not enough. *Id.* at 588. The court reasoned that the photographer's argument, if accepted, "would render Sipahioglu, and other foreign owners of art who sell their products to publications, amenable to personal jurisdiction in every state in which their art is eventually displayed." *Id.* Relying on the fact that "litigation against an alien defendant requires a higher jurisdictional barrier than litigation against a citizen from a sister state," the court found jurisdiction to be lacking. *Id.* (citing *Pacific Atlantic Trading Co. v. M/V Main Express*, 758 F.2d 1325, 1330 (9th Cir. 1985) ("foreign-acts-with-forum-effects jurisdictional principle must be applied with caution, particularly in an international context") (citations and internal quotations omitted)).

Defendants' reliance on *Rano* is unavailing for two reasons. First, the plaintiff in *Rano* never raised a *Calder*-type tort argument to establish personal jurisdiction. Moreover, unlike MCA, which has always been a resident of California, Rano was a citizen and resident of Great Britain at the time the license agreement with Sipa Press was formed. Thus, Sipahioglu would reasonably anticipate that any dispute arising out of the agreement would be settled in Europe. *See Rano*, 987 F.2d at 588 ("Sipahioglu could not have foreseen Rano's fortuitous move from Europe to California.").

Because Holdings and International purposefully directed their tortious activities at a California resident, any potential conflict with the sovereignty of Defendants' state does not weigh against jurisdiction.

d. California's interest

California maintains a strong interest in providing an effective means of redress for its residents tortiously injured by commercial misappropriation.

e. efficiency and effectiveness of forum

MCA can only obtain effective relief for the alleged infringement of its federally-protected trademark rights in the United States. If jurisdiction is found to be lacking, a foreign licensor of worldwide rights to a foreign licensee could never be held accountable in the United States even if it knew that the infringing product was likely to be distributed in the United States and would infringe a United States resident's rights.

f. existence of an alternative forum

As with Records, Holdings and International have failed to identify any other forum available for redressing the harm to MCA's federally-protected trademark rights caused by the effects of their allegedly tortious activities in the United States.

Taking all of the factors as a whole, Holdings and International have failed to demonstrate that the exercise of specific jurisdiction is so unreasonable as to violate due process. By licensing products they knew would eventually be distributed in the United States and would infringe a California resident's rights, Holdings and International should reasonably expect to be haled into a California court to defend an infringement action.

CONCLUSION

The exercise of jurisdiction over the three Charly Defendants was proper. Accordingly, we affirm the judgment of the district court.

AFFIRMED.

MCA Records v. Charly Records
No. 95-56260

(Filed Feb. 21, 1997)

RYMER, Circuit Judge, dissenting:

I agree with all that the majority holds except for its conclusion that MCA demonstrated, by a preponderance of the evidence as it had to do, that Charly Int'l and Charly Holdings "purposefully" availed themselves of the California forum by intentionally committing torts outside of California knowing and intending that the brunt of the economic injury would be borne by MCA, a California corporation.

To me, this is not a *Calder* case. Because Shirley Jones was who she was – a famous entertainer who lived and worked in California and was libeled by a story in the National Enquirer, which was published in Florida but had a nationwide circulation with a large audience in California – the Court could easily hold in *Calder* that California was the "focal point both of the story and of the harm suffered" and so jurisdiction in California based on the "effects" of the defendants' Florida conduct was proper. *Calder v. Jones*, 465 U.S. 783, 789 (1984). Likewise in *Brainerd v. Governors of the Univ. of Alberta*, 873 F.2d 1257 (9th Cir. 1989), Arizona was the focus of the libel and the harm, as the former (out-of-the-country) employer of a professor at the University of Arizona told a dean at Arizona some allegedly libelous things. Unlike either *Calder* or *Brainerd*, there is no evidence in this case to support a finding that "intentional, and allegedly tortious, actions were expressly aimed at California." *Calder*, 465 U.S. at 789.

Nor do I believe that MCA has shown that the brunt of its harm was suffered in California just because it is incorporated here, as "[a] corporation does not suffer harm in a particular geographic location in the same sense that an individual does." *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1486 (9th Cir. 1993). Otherwise, any foreign company accused of trademark infringement could be sued whereever the domestic company is incorporated.

For these reasons, I would reverse as to Charly Int'l and Charly Holdings.

APPENDIX B

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

MCA RECORDS, INC., Plaintiff-Appellee, v. CHARLY RECORDS LTD; CHARLY HOLDINGS, INC.; CHARLY INTERNATIONAL APS, Defendants-Appellants.	No. 95-56260 D.C. No. CV-92-00200-RSWL ORDER (Filed Mar. 26, 1997)

BEFORE: BRUNETTI and RYMER, Circuit Judges, and TANNER,* District Judge

Appellants' petition for rehearing is DENIED.

---

* Hon. Jack E. Tanner, Senior United States District Judge for the Western District of Washington, sitting by designation.

APPENDIX C

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

MCA RECORDS, INC., Plaintiff-Appellee, v. CHARLY RECORDS LTD; CHARLY HOLDINGS, INC.; CHARLY INTERNATIONAL APS, Defendants-Appellants.	No. 95-56260 D.C. No. CV-92-00200-RSWL AMENDED ORDER (Filed Apr. 10, 1997)

BEFORE: BRUNETTI and RYMER, Circuit Judges, and TANNER,* District Judge

Judges Brunetti and Tanner vote to deny appellants' petition for rehearing. Judge Rymer votes to grant appellant's petition for rehearing.

Appellants' petition for rehearing is DENIED.

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* Hon. Jack E. Tanner, Senior United States District Judge for the Western District of Washington, sitting by designation.

(2)

Supreme Court, U.S.
FILED
JUN 24 1997
CLERK

No. 96-2027

In The

Supreme Court of the United States

October Term, 1996

CHARLY INTERNATIONAL, APS
CHARLY HOLDINGS, INC.,

Petitioners,

vs.

MCA RECORDS, INC.,

Respondents.

Petition For A Writ Of Certiorari To The Ninth Circuit Court Of Appeals

SUPPLEMENTAL APPENDIX

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UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

MCA RECORDS, INC., Plaintiff, v. CHARLY RECORDS, LTD.; CHARLY HOLDINGS, INC.; AND CHARLY RECORDS INTERNATIONAL APS; Defendants.	CASE NO. CV-92-0200 RSWL (Sx) [~~PROPOSED~~] JUDGMENT (Filed July 26, 1995)

Plaintiff MCA Records, Inc. ("MCA"), having applied to this Court for a default judgment on its Complaint against Charly Records, Ltd. ("Charly Records"); Charly Records' default having been entered on November 2,

1992; and MCA's Motion For A Declaration, A Finding of Liability, and Injunctive Relief having been granted on April 19, 1993, and

MCA having applied to this Court for a default judgment on the issue of damages against Charly Holdings, Inc. ("Charly Holdings") and Charly Records International APS ("Charly International"); the Court having ruled on September 26, 1994, that Charly Holdings and Charly International do not now have any rights in the Chess Masters[1] and that MCA had the exclusive rights in the Chess Masters; the jury having returned a general verdict on December 16, 1994, in MCA's favor on liability on its claims for trademark infringement, false designation of origin, intentional and negligent interference with prospective economic advantage, and unfair competition; and the Court having entered Charly Holdings' and Charly International's default on June 14, 1995, with respect to the issue of damages, and good cause appearing therefor,

IT IS HEREBY ORDERED AND ADJUDGED:

1. That MCA shall recover from Charly Records, Charly Holdings, and Charly International, jointly and

---

[1] The term "Chess Masters" means and refers to all master recordings listed in the two-volume published work entitled "The Chess Labels – A Discography," compiled by Michel Ruppli and published by Greenwood Press (1983), from the inception of recording, which are contained on any label, including but not limited to, the Chess, Checker, Cadet and Argo labels, whether or not such master recordings were or had been released by any person or entity.

severally, the sum of $5,114,416.14, consisting of Charly Records' profits from U.S. sales;

2. That MCA shall recover from Charly International and Charly Holdings, jointly and severally, the sum of $119,967.79, consisting of Charly International's profits from U.S. sales;

3. That MCA recover from Charly Holdings and Charly International, jointly and severally, the sum of $1,079,710.07, consisting of Charly Holdings' profits from U.S. sales;

4. That MCA recover from Charly Records the sum of $2,057,597.68 as punitive damages;

5. That MCA recover from Charly Records its reasonable attorneys' fees;

6. That Charly Records, Charly Holdings, and Charly International, do not now have, and never have had, any rights, title, and interest in and to the Chess Masters; and that MCA has the exclusive right, title, and interest in and to the Chess Masters;

7. That Charly Records, Charly Holdings, and Charly International, and each of them, and their respective officers, directors, shareholders, employees, agents, representatives, assignees, licensees, and privies; and all other persons acting in concert or participation with each or any of them, be and are hereby permanently enjoined and restrained from engaging in, committing, or performing, directly or indirectly, by any means whatsoever, any of the following acts in the United States:

(a) manufacturing, distributing, marketing, advertising, or selling, or causing to be manufactured,

distributed, marketed, advertised, or sold, any phonorecords (as that term is defined in the Copyright Act – 17 U.S.C. Section 101) made from the Chess Masters;

(b) licensing, selling, or assigning, or causing to be licensed, sold, or assigned, any right, title or interest in and to the Chess Masters;

(c) claiming or representing to any person or entity ownership or possession of any right, title or interest in and to the Chess Masters;

(d) interfering with, infringing, or disturbing in any manner MCA's exclusive ownership of all right, title, and interest in and to the Chess Masters;

(e) using the "Chess" trademark or logo (United States Patent and Trademark Office Registration Nos. 1,446,148 and 1,448,274), copies of which are attached hereto, in referring to, or in connection with, any master recordings or phonorecords;

(f) claiming or representing to any person or entity that they have ownership or possession of any right, title or interest in and to the Chess trademark or logo; and

(g) interfering with, infringing, or disturbing in any manner MCA's exclusive ownership of all right, title, and interest in and to the "Chess" trademark and logo;

8. That Charly Records, Charly Holdings, and Charly International shall forthwith deliver to MCA all masters, tapes, and phonorecords in their possession, custody, or control containing any recordings made from or constituting the Chess Masters; and

9. That MCA recover of Charly Records, Charly Holdings, and Charly International, jointly and severally, its costs of action to be taxed by the Clerk in the amount of $___.

Dated: July 26, 1995

/s/ Ronald S.W. Lew
Ronald S.W. Lew
United States District
Court Judge

PRESENTED BY:

RUSSELL J. FRACKMAN
SCOTT H. BAUMAN
MITCHELL, SILBERBERG & KNUPP

By: /s/ Scott H. Bauman
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PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES:

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is Mitchell, Silberberg & Knupp, 11377 West Olympic Blvd., Los Angeles, CA 90064.

On July 25, 1995, I served the foregoing document described as **[PROPOSED] JUDGMENT** on the interested parties in this action by placing a true copy thereof enclosed in a sealed envelope addressed as follows:

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/s/ Eirlys Davidson
EIRLYS DAVIDSON

Supreme Court, U.S.
FILED
JUL 25 1997
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(3)

No. 96-2027

In The

Supreme Court of the United States

October Term, 1996

CHARLY INTERNATIONAL, APS
CHARLY HOLDINGS, INC.,

Petitioners,

vs.

MCA RECORDS, INC.,

Respondent.

On Petition For A Writ Of Certiorari
To The Ninth Circuit Court Of Appeals

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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80 pp

DISCLOSURE STATEMENT

Respondent MCA Records, Inc. is a subsidiary of Universal Studios, Inc. (formerly MCA, Inc.), which is 80% owned by Seagram Co. Ltd. ("Seagram") and 20% owned by Matsushita Electric Industrial Co. Ltd. ("Matsushita"). Both Seagram and Matsushita have issued shares to the public. MCA Records, Inc. does not have any subsidiaries.

TABLE OF CONTENTS

Page

I. STATEMENT OF THE CASE 1

II. REASONS WHY THE PETITION SHOULD BE DENIED 7

A. The Ninth Circuit Properly Followed The Decisions Of This Court In Affirming Jurisdiction Over Petitioners 7

B. Petitioners' Construction of "Purposeful Availment" Would Mean That A Foreign Licensor Which Intentionally Infringed A United States Trademark Could Evade Jurisdiction 13

III. CONCLUSION 15

TABLE OF AUTHORITIES

Page

CASES

Asahi Metal Industry Co., Ltd. v. Superior Court,
480 U.S. 102 (1987) 7

Bensusan Restaurant Corp. v. King,
937 F.Supp. 295 (S.D.N.Y. 1996) 14

Burger King Corp. v. Rudzewicz,
471 U.S. 462 (1985) 8

Business Trends Analysts v. Freedonia Group, Inc.,
650 F.Supp. 1452 (S.D.N.Y. 1987) 12

Cadence Design Systems, Inc. v. Verilog, S.A.,
779 F.Supp. 473 (N.D. Cal. 1991) 12

Calder v. Jones,
465 U.S. 783 (1984) 1, 8, 10

CompuServe, Inc. v. Patterson,
89 F.3d 1257 (6th Cir. 1996) 14

Core-Vent Corp. v. Nobel Industries AB,
11 F.3d 1482 (9th Cir. 1993) 11

G.H. Bass & Co. v. Wakefern Food Corp.,
21 U.S.P.Q. 2d 1862 (S.D.N.Y. 1991) 11

Honeywell, Inc. v. Metz Apparatewerke,
509 F.2d 1137 (7th Cir. 1975) 12

Inset Systems, Inc. v. Instruction Set, Inc.,
937 F.Supp. 161 (D.Conn. 1996) 14

International Shoe Co. v. Washington,
316 U.S. 310 (1945) 1

Lipton v. The Nature Co.,
781 F.Supp. 1032 (S.D.N.Y. 1992) 12

MCA Records, Inc. v. Charly Records, Ltd. et al.,
865 F.Supp. 649 (C.D. Cal. 1994) 5

Maritz v. Cybergold, Inc.,
947 F.Supp. 1328 (E.D.Mo. 1996) 14

McDonough v. Fallon McElligott, Inc.,
1996 W.L. 753991 (S.D.Cal. 1996) 14

Minnesota v. Granite Gate Resorts,
1996 W.L. 767431 (D. Minn. 1996) 14

Pony International, Inc. v. Genfoot America, Inc.,
223 U.S.P.Q. 1150 (S.D.N.Y. 1983) 12

Reebok International, Ltd. v. McLaughlin,
49 F.3d 1387 (9th Cir.), cert. denied,
___ U.S. ___, 116 S.Ct. 276 (1995) 8

Schieffelin & Co. v. Jack Co. of Boca, Inc.,
725 F.Supp. 1314 (S.D.N.Y. 1989) 11

Sinatra v. National Enquirer, Inc.,
854 F.2d 1191 (9th Cir. 1988) 8

I. STATEMENT OF THE CASE

As detailed below, the Ninth Circuit Court of Appeals properly followed and applied the due process standards prescribed by this Court in such cases as International Shoe Co. v. Washington, 326 U.S. 310 (1945) and Calder v. Jones, 465 U.S. 783 (1984) in concluding that, based upon the extensive record before it, the District Court properly found personal jurisdiction over Petitioners Charly Holdings, Inc. ("Charly Holdings") and Charly Records International A.P.S. ("Charly International") (Charly Holdings and Charly International sometimes are referred to collectively as "Petitioners.") Contrary to Petitioners' suggestion, the Ninth Circuit's opinion is consistent with established principles of personal jurisdiction over foreign defendants and, therefore, does not call for an exercise of this Court's supervisory power.

Respondent MCA Records, Inc. ("MCA"), a California corporation, brought this action to protect its rights to the master recordings contained in one of the most historic rhythm and blues music collections in the world -- the Chess Catalogue -- and to the "Chess" registered trademarks. The defendants in this action were Petitioner Charly Holdings and its agents and wholly owned subsidiaries, Petitioner Charly International and Charly Records[1] (all three Charly entities sometimes

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[1] Charly Records is not a party to the Petition. After Charly Records failed to answer and its default was entered (CR 74, ER 749), the District Court entered judgment against Charly Records for $5,114,416.14, representing Charly Records' proceeds from infringing United States sales and $2,057,597.68 as punitive damages. (CR 425, ER 1051.) The Ninth Circuit affirmed the District Court's ruling.

are referred to collectively as "Defendants"). The Defendants unlawfully duplicated and sold Chess Masters[2] in the form of compact discs and cassette tapes, and licensed and used the Chess registered trademarks worldwide, including in California.

Through a series of incestuous agreements, all three Charly Defendants embarked upon an unlawful, international exploitation of the Chess Masters and the Chess registered trademarks. In these agreements, the Defendants specifically recognized the "agency" relationship among themselves. **(SER 63, 99 [Trial Ex. 69].)**[3] Initially, Charly Holdings (a Panamanian corporation **(CR 107, ER 762)**) entered into an agreement with its wholly-owned subsidiary, Charly International (a Danish corporation **(CR 111, ER 779)**), whereby Charly Holdings purported to license to Charly International the right to "press, duplicate and sell in the Territory Phonograph Records . . . manufactured from the master recordings in the Chess/Checker/Cadet/Argo catalogues . . ." as well as the "right to use the Chess name/logo and/or Seahorse logo . . ." **(SER 88 [Trial Ex. 69].)** The defined "Territory" for these rights was "the world." **(SER 90 [Trial Ex. 69].)** Charly International warranted that it "is now and will continue to be engaged during the Term of this Agreement in the manufacture,

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[2] As used throughout this action, the term "Chess Masters" referred to the master recordings listed in the two-volume published work entitled "The Chess Labels -- A Discography." **(Trial Ex. 73; CR 310, ER 796; RT 58-60, CR 367, ER 836-838.)**

[3] "CR" denotes the District Court Clerk's Record number; "ER" the Excerpts of Record page number; "SER" the Supplemental Excerpts of Record page number; "RT" the Reporters' Transcripts; and "Trial Ex." the Trial Exhibits.

sale, distribution and exploitation of Phonograph Records in the Territory." **(SER 94 [Trial Ex. 69].)** Pursuant to the agreement, Charly Holdings supplied the Chess Masters (obtained in the U.S.) to Charly International. **(SER 90 [Trial Ex. 69].)** The agreement also provided that all labels of records released pursuant to the agreement would contain Charly Holdings' trademark "CHARLY." **(SER 91-92 [Trial Ex. 69].)** The agreement required Charly International to account for and pay Charly Holdings "an amount equal to 90% of any and all fees royalties and advances received by or credited to [Charly International] or on its behalf in respect of the exploitation of the Licensed Masters or any of them." **(SER 91 [Trial Ex. 69].)** Charly Holdings agreed to indemnify and hold Charly International harmless from claims concerning the Chess Masters. **(SER 95 [Trial Ex. 69].)**

Then, Charly International entered into an agreement with Charly Holdings' other wholly-owned subsidiary, defendant Charly Records, whereby Charly International purported to re-license to Charly Records rights in the Chess Masters and the Chess trademark. **(SER 65-66 [Trial Ex. 68].)** In that agreement, Charly Records acknowledged that Charly International "own[s] and/or control[s] exclusively all rights and goodwill in respect of the name and trading style Charly Records . . ." **(SER 63 [Trial Ex. 68].)** Charly Records agreed to account and pay royalties on each record sold pursuant to the agreement, including on "export" records. **(SER 68-71 [Trial Ex. 68.])** Charly International supplied the Chess Masters to Charly Records and Charly Records agreed that all records would bear the trademark "CHARLY." **(SER 71 [Trial Ex. 68].)** Charly International agreed to indemnify and hold Charly

Records harmless from claims concerning the Chess Masters. **(SER 63, 75 [Trial Ex. 68].)**

As a result of the foregoing series of transactions, infringing Chess recordings bearing the CHARLY tradename were offered for sale and sold throughout the United States, including California. Petitioners' suggestion that the evidence showed only about $170 of direct sales of Chess product in the United States **(Petition at 5 n.4)** is disingenuous and refuted by the record. MCA presented evidence of direct sales of hundreds of thousands of dollars of recordings in California alone, including over 700 albums containing Chess recordings. **(CR 34, ER 405-445, SER 15.)**

As the Ninth Circuit noted, also crucial to the jurisdictional issue was Charly International's license of a well-known Chess Master, "White Cliffs of Dover," for world-wide use (including the United States) in the popular motion picture "The Crying Game" and in the soundtrack album for the film. The soundtrack album (bearing Charly International's name) was available for purchase, and was purchased, in California, and the motion picture (for which Charly International received an on-screen credit) was widely distributed in California and the rest of the United States. **(RT 122-125, CR 367, ER 898-901; SER 102 [Trial Ex. 172].)**

Prior to trial, the Court granted MCA's motion for summary judgment with respect to its declaratory relief claim, holding that Charly Holdings and Charly International do not now have, and never did have, any rights in the Chess Masters, and that MCA has exclusive rights in those recordings. **(CR 310, ER 801; CR 311, ER 824.)** The District Court opinion is reported at MCA

Records, Inc. v. Charly Records, Ltd. et al., 865 F.Supp. 649 (C.D. Cal. 1994).[4]

MCA's remaining claims were tried before a jury. During the trial, the District Court ruled that MCA's damages would be limited to Defendants' sales in the United States. **(RT 255, CR 367, SER 47.)** At the conclusion of MCA's case, the District Court denied Petitioners' motion for judgment as a matter of law on the issue of jurisdiction, and concluded:

> "I could have easily found personal jurisdiction prior to this date, but no motion had ever been tendered to this court. But given the facts that have been received in this case, it's a very clear ruling that there is personal jurisdiction with regard to the two defendants before this court." **(RT 254, CR 367, SER 46.)**

Thereafter, Petitioners presented their defense on the merits. **(RT 254, CR 367, SER 46.)** The jury returned a verdict in MCA's favor, and awarded compensatory damages against Charly Holdings in the amount of $3.6 million and against Charly International in the amount of $400,000. **(RT 342, CR 367, SER 50.)**

After trial, based on a number of theories (but not lack of personal jurisdiction), Charly Holdings and Charly

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[4] MCA has requested publication of the Ninth Circuit's opinion because of the previously published opinion of the District Court, not, as implied by Petitioners, because of the importance or uniqueness of the issues addressed by the Ninth Circuit. See Ninth Circuit Rule 36-2(e).

International moved for judgment as a matter of law, for a new trial, or to alter or amend the judgment. **(CR 365.)** The District Court granted a new trial solely on the issue of damages, and denied the remaining motions.[5] **(CR 374.)** When Charly Holdings and Charly International refused to appear at the retrial, the District Court entered their defaults on the issue of damages.[6] **(CR 413.)** Thereafter, based upon evidence submitted by MCA regarding the extent of Defendants' exploitation of the Chess Masters and Chess trademarks in the United States, the District Court entered judgment against Defendants totalling $7,892,617.50. **(CR 425, ER 1051.)**

Defendants' subsequent appeal challenged only the District Court's exercise of jurisdiction. The Ninth Circuit affirmed, holding that:

> "By licensing products they knew would eventually be distributed in the United States and would infringe a California resident's rights, [Charly] Holdings and [Charly] International should reasonably

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[5] Petitioners' reference to the District Court's purported comments at a subsequent unreported settlement conference **(Petition at 5)** is both irrelevant and outside the record. Indeed, Petitioners' counsel of record here was not even present at the settlement conference, nor could he be since he was not ever counsel of record before the District Court.

[6] Of course, the fact that, at the initial trial, Petitioners presented a defense on the merits after the District Court found personal jurisdiction is inconsistent with their subsequent position that appearing at the damages retrial would have constituted a "voluntary submission" to the District Court's jurisdiction under English law. **(See Petition at 5-6.)**

expect to be hailed into a California court to defend an infringement action." **(Petition App. 24.)**

II. REASONS WHY THE PETITION SHOULD BE DENIED

A. The Ninth Circuit Properly Followed The Decisions Of This Court In Affirming Jurisdiction Over Petitioners.

In International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945), this Court announced that the exercise of personal jurisdiction is proper and Constitutional when a nonresident has certain minimum contacts with the forum such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.[7] The rule announced in International Shoe has been explained and applied by this Court in cases involving intentional torts. See, e.g., Calder v. Jones, 465 U.S. 783 (1984). Jurisdiction over a nonresident defendant exists where (1) the nonresident defendant does some act or consummates some transaction with the

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[7] Petitioners' reference to the split of authority in Asahi M al Industry Co., Ltd. v. Superior Court, 480 U.S. 102, 112 (1987) is relevant. In Asahi, a divided Supreme Court disagreed on whether the mere placing a product in the "stream of commerce" without more would constitute purposeful availment. Here, given the extensive record concerning Defendants' other intentional conduct directed to California and at a California resident, as the District Court noted: "it is unnecessary to choose between these competing visions as Defendants' contacts are sufficient to satisfy even the more st ngent standard" set forth in Asahi. **(CR 62, ER 744.)**

forum or performs some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws; (2) the claim arises out of or results from the defendant's forum-related activities; and (3) exercise of jurisdiction is reasonable. Burger King Corp. v. Rudzewicz, 471 U.S. 462, 477-78 (1985); Sinatra v. National Enquirer, Inc., 854 F.2d 1191, 1195 (9th Cir. 1988). Here, the Ninth Circuit's finding of jurisdiction is consistent with this Court's decisions concerning jurisdiction over foreign defendants.

As the Ninth Circuit correctly noted, the District Court's factual findings on jurisdictional issues must be accepted unless clearly erroneous. See, e.g., Reebok International, Ltd. v. McLaughlin, 49 F.3d 1387, 1390 (9th Cir.) cert. denied, ___ U.S. ___, 116 S.Ct 276 (1995). Both the District Court and Ninth Circuit found that the Chess recordings licensed by Charly Holdings and Charly International did not end up in California fortuitously. Charly Holdings and Charly International purported to license rights to the Chess Masters and Chess trademarks, provided under these licenses the precise means by which MCA's rights were infringed in California, and received substantial benefit from those infringements. The evidence in the record included:

(1) Chess recordings (with the registered Chess trademark) bearing the names of Charly Holdings and Charly International were sold in California **(CR 34, ER 222, 239; RT 141-142, CR 367, ER 917-918)**;

(2) Charly Holdings and Charly International received royalties directly calculated on those sales **(SER 68-70, 91, 102 [Trial Exs. 68, 69, 172)**;

(3) Pursuant to an agreement with Red Dog (a U.S. company against which MCA has obtained a California judgment), Charly Holdings purported to obtain worldwide rights to the Chess Masters, and under that agreement obtained delivery from the U.S. of the Chess Masters (**SER 52, 57 [Trial Ex. 67]**);

(4) Charly Holdings purported to license worldwide rights to the Chess Masters and Chess trademarks to its wholly-owned subsidiary, Charly International, and specifically required that the Chess Masters be exploited throughout the world (**SER 87-88, 90 [Trial Ex. 69]**);

(5) Charly International licensed and conveyed Chess Masters to Charly Records which sold recordings directly in California (**SER 65-67 [Trial Ex. 68]**);

(6) Charly International licensed rights in a Chess Master for worldwide use (including California) in the popular motion picture "The Crying Game," which was distributed and exhibited in California and for which it received a screen credit (**RT 122-125, CR 367, ER 898-901; SER 102-103 [Trial Ex. 172]**);

(7) Charly International also licensed rights in a Chess Master for the soundtrack album for "The Crying Game" and received credit on the soundtrack album, which was sold in California (**RT 122-125, CR 367, ER 898-901; SER 102-108 [Trial Ex. 172]**);

(8) Charly International and Charly Holdings required that the unlawful recordings made from MCA's Chess Masters bear their trademark "CHARLY" (**SER 91-92 [Trial Ex. 69]**); and

(9) Charly Holdings claimed U.S. copyright protection for the infringing Chess recordings (**RT 74, 135, 139, CR 367, ER 852, 911, 915.**).

Notably, not only did Petitioners fail to adduce evidence at trial to dispute MCA's evidence, but Petitioners did not call a single witness to explain how their infringing products reached California retail stores and California consumers other than through them.

Aside from their extensive exploitation of the Chess recordings in California, as found by the jury and discussed by the Ninth Circuit, Petitioners intentionally committed the commercial tort of trademark infringement directed against MCA, a California resident. **(Petition App. 20-21.)** Petitioners have not appealed this portion of the judgment. Having intentionally infringed MCA's trademarks in California, committed unfair competition in California, and tortiously interfered with MCA's rights in California, Petitioners have subjected themselves to jurisdiction in California.

A party who commits an intentional tort, knowing it will have an effect in a state, is subject to jurisdiction in that state. Calder v. Jones, 465 U.S. 783, 789-90 (1984). In Calder, this Court found California jurisdiction proper where National Enquirer employees composed an allegedly libelous story in Florida about a California resident. This Court concluded that jurisdiction was proper since the employees knew the article "would have a potentially devastating impact upon [the plaintiff, and] they knew that the brunt of that injury would be felt by [the plaintiff] in the State in which she lives . . . ". The Calder rule applies to the intentional tort of trademark infringement. See, e.g., G.H. Bass & Co. v. Wakefern

Food Corp., 21 U.S.P.Q.2d 1862, 1865 (S.D.N.Y. 1991); Schieffelin & Co. v. Jack Co. of Boca, Inc., 725 F.Supp. 1314, 1318 (S.D.N.Y. 1989).[8] Thus, in the instant case, Petitioners' infringement occurred (repeatedly) in California. **(e.g., CR 32, 34, ER 24, 222, 232-233, 265, 273, 307-308, 336; RT 70-74, 87-88, 116-122, CR 367, ER 848-852, 863-864, 892-898.)**

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[8] Petitioners' reliance on the dissenting Judge's citation to Core-Vent Corp. v. Nobel Industries AB, 11 F.3d 1482 (9th Cir. 1993) is misplaced. First, the finding of jurisdiction here was not based solely on the location of MCA; rather, Defendants' committed intentional torts in California, knowing that MCA was located and would be injured there. Second, the Core-Vent Court did note that "a corporation does not suffer in a particular geographic location in the same sense that an individual does." Id. at 1486; however, in concluding that the purposeful availment prong was satisfied, the Court in Core-Vent specifically rejected defendants' argument that acts intended to harm a corporation were not directed to the geographical location where the corporation is located:.

> "Such a categorical approach is antithetical to Calder's admonishment that the personal jurisdiction inquiry cannot be answered through application of a mechanical test but instead must focus on the relationship among the defendant, the forum, and the litigation within the particular factual context of each case."

Id. at 1487. Here, based upon the extensive record before them, the District Court and Ninth Circuit properly concluded that the brunt of the harm of Petitioners' misconduct was felt by MCA in California where it is incorporated and has its principal place of business, and where infringing Chess product was offered for sale and sold.

Charly Holdings' and Charly International's license of the right and providing of the means to others (more specifically, wholly-owned related companies) to sell Chess recordings in California is sufficient to confer jurisdiction over them since they clearly and intentionally promoted the transaction of business in California for their own financial gain. See, e.g., Honeywell, Inc. v. Metz Apparatewerke, 509 F.2d 1137 (7th Cir. 1975); Lipton v. The Nature Co., 781 F.Supp. 1032, 1036 (S.D.N.Y. 1992) (licensor subject to New York jurisdiction where licensee sells infringing product in New York, pays licensor royalties based on sales, and uses licensor's name in advertising literature); Pony International, Inc. v. Genfoot America, Inc., 223 U.S.P.Q. 1150, 1152 (S.D.N.Y. 1983) (licensor of "worldwide" trademark rights subject to jurisdiction in New York where licensee marketed the trademarked goods in New York); Business Trends Analysts v. Freedonia Group, Inc., 650 F.Supp. 1452, 1456 (S.D.N.Y. 1987) ("An actual sale is not necessary to establish personal jurisdiction and the tortious acts may be performed directly by the defendant or through an agent, who may be an independent retail merchant."). See, also, Cadence Design Systems, Inc. v. Verilog, S.A., 779 F.Supp. 473, 475 (N.D. Cal. 1991) (French corporation with no California employees, offices, property, bank account, mailing address, or telephone listing subject to California jurisdiction where it provided assistance and support staff to related company selling its products in California).

Moreover, Petitioners specifically were made aware that their intentional infringement harmed MCA in California. As the Ninth Circuit observed, "Bruce Resnikoff [an MCA executive] testified that MCA's acquisition of the Chess Masters in 1985 was publicized

in virtually every music periodical in the world, as well as in non-music press . . . [and] that someone from MCA contacted Charly Holdings on more than one occasion and informed him that they were infringing MCA's rights in the Chess Masters." **(Petition App. 20-21).** Thus, Petitioners knew that their conduct not only would result, but actually resulted, in infringing products being distributed in the United States and California, and in the resulting harm to MCA.

Notably, Petitioners did not even argue to the Ninth Circuit that the exercise of jurisdiction over them would be burdensome **(Petition App. 22).** Nor could they, given Petitioners' deliberate infringing activities in California. Under these circumstances, the Ninth Circuit correctly concluded that the exercise of jurisdiction over Petitioners was reasonable.

B. Petitioners' Construction of "Purposeful Availment" Would Mean That A Foreign Licensor Which Intentionally Infringed A United States Trademark Could Evade Jurisdiction.

Petitioners wrongly argue that the Ninth Circuit's reasoning would allow unlimited jurisdiction over worldwide licensors of artistic materials **(Petition at 12).**[9]

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[9] The cases cited by Petitioner involving the Internet present significantly different issues and, moreover, actually support the finding of jurisdiction over Petitioners **(Petition at 12-13 n.7).** Maritz v. Cybergold, Inc., 947 F.Supp. 1328 (E.D.Mo. 1996) and Minnesota v. Granite Gate Resorts, 1996 W.L. 767431 (D. Minn. 1996) both found jurisdiction where a website could be accessed in the forum state. See, also, CompuServe, Inc. v. Patterson, 89 F.3d

(continued...)

To the contrary, under Petitioners' construction, it is the opposite which would be true -- a holder of U.S. trademark rights would never be able to vindicate its rights against a foreign defendant which issued a worldwide license and supplied infringing product for worldwide distribution. Moreover, to make their dubious point in the first place, Petitioners greatly exaggerate the scope of the Ninth Circuit's opinion. Following Calder, the Ninth Circuit specifically limited its analysis to cases involving intentional torts. The Ninth Circuit correctly concluded that where, as here, a foreign defendant commits an intentional tort against a United States resident, that defendant may be sued where the resident suffers the injury. Any other rule would insulate a foreign tortfeasor from intentional conduct which causes harm to U.S. residents in the United States. And, here, the District Court found that Petitioners intentionally violated MCA's U.S. trademark rights from which they reaped substantial revenues. As the Ninth Circuit concluded:

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[9](...continued)
1257 (6th Cir. 1996); Inset Systems, Inc. v. Instruction Set, Inc., 937 F.Supp. 161 (D.Conn. 1996)). The cases holding to the contrary, Bensusan Restaurant Corp. v. King, 937 F.Supp. 295 (S.D.N.Y. 1996) and McDonough v. Fallon McElligott, Inc., 1996 W.L. 753991 (S.D.Cal. 1996) clearly are distinguishable. In Bensusan, the Court granted defendants' motion to dismiss for lack of jurisdiction because "there [was] simply no allegation or proof that any infringing goods were shipped into New York or that any other infringing activity was directed at New York or caused by King to occur here." Bensusan Restaurant Corp. v. King, 937 F.Supp. at 295. In McDonough, the Court concluded that, where the defendant does not direct any activities to the forum state, the mere fact alone that the defendant maintains a website which may be accessed from anywhere in the world is insufficient to confer jurisdiction. McDonough v. Fallon McElligott, Inc., 1996 W.L. at 753911.

"MCA can only obtain effective relief for the alleged infringement of its federally-protected trademark rights in the United States. If jurisdiction is found to be lacking, a foreign licensor of worldwide rights to a foreign licensee could never be held accountable in the United States even if it knew that the infringing product is likely to be distributed in the United States and would infringe a United State's resident's rights." **(Petition App. 24.)**

III. CONCLUSION

The Ninth Circuit properly followed and applied the decisions of this Court in finding and affirming jurisdiction over Petitioners. For the reasons set forth herein, the Petition should be denied.

Dated: July 25, 1997

Respectfully submitted,

RUSSELL J. FRACKMAN
(Counsel of Record)

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Supreme Court, U.S.
FILED
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TABLE OF CONTENTS

Page

INTRODUCTION 1

DISCUSSION 2

CONCLUSION 7

TABLE OF AUTHORITIES

Page

CASES

Asahi Metal Industry Co., Ltd. v. Superior Court, 480 U.S. 102 (1987) 1, 5, 6, 7, 8

Business Trends Analysts v. Freedonia Group, Inc., 650 F.Supp. 1452 (S.D.N.Y. 1987) 3

Cadence Design Systems, Inc. v. Venlog, S.A., 779 F.Supp. 473 (N.D. Cal. 1991) 4

Honeywell, Inc. v. Metz Apparatewerke, 509 F.2d 1137 (7th Cir. 1975) 3

Lipton v. The Nature Co., 781 F.Supp. 1032 (S.D.N.Y. 1992) 4

Pony International, Inc. v. Genfoot America, Inc., 223 U.S.P.Q. 1150 (S.D.N.Y. 1983) 3

INTRODUCTION

Basing its opposition on a view of the facts that played no part in the Ninth Circuit's decision, MCA avoids any meaningful response to the important constitutional issue raised in this petition. If the Ninth Circuit's opinion is allowed to stand, virtually every foreign licensor of worldwide distribution rights to artistic materials would be subject to jurisdiction in any forum, worldwide, in which the licensed product ultimately happens to land – even if the foreign licensor is far removed from the distribution process and has no other "contacts" with the forum. Respectfully, this expansive and near-unlimited view of personal jurisdiction pushes the "stream of commerce" argument far beyond the limits set by this Court in *Asahi Metal Industry Co., Ltd. v. Superior Court*, 480 U.S. 102 (1987).

The primary problem with MCA's opposition is that it is based upon facts that are vastly different from those that formed the basis of the Ninth Circuit's opinion. Indeed, in most instances the Ninth Circuit specifically held that MCA's "facts" were *not* sufficient to constitute either general or specific jurisdiction over Holdings or International. In other instances, the Ninth Circuit did not mention or rely upon MCA's version of the facts.

The only exception, and indeed the only fact upon which the Ninth Circuit based its analysis, was Holdings' license to International and International's license to a British company, of one song for use in a movie soundtrack record for "The Crying Game," which was ultimately shown in California. But if those worldwide licenses are enough to give rise to personal jurisdiction in

California, then almost every participant involved in the chain of artistic licensing, and ultimately every entity that touches a product in the unlimited and increasingly international stream of commerce, is subject to jurisdiction here as well.

This case thus presents a unique opportunity for the Court to build upon its holding in *Asahi* and clarify a significant issue of personal jurisdiction whose importance grows day by day with the ever-increasing pace of modern technology.

DISCUSSION

MCA's primary argument is that because of evidence *other than* that cited by the court itself, the Ninth Circuit's opinion properly followed earlier decisions of this Court on the issue of personal jurisdiction. The difficulty with this argument, however, is that the Ninth Circuit expressly held that most of this "other evidence" was not sufficient to give rise to personal jurisdiction.[1]

[1] In addition, many of the other "facts" cited by MCA are not supported in the record. For example, on page 2 of its brief, MCA asserts that "defendants" unlawfully duplicated and sold Chess Masters in the form of compact discs and cassette tapes. Not so. Although Charly Records, Ltd. manufactures and distributes records in England, neither Holdings nor International ever duplicated or sold *any* products, anywhere, whether in the United States or otherwise. (ER 1013-14, 1024-26.) Similarly, on page 3, MCA cites the license from International to Records but fails to note that such license explicitly excluded the United States. (SER 68.)

For example, as to Holdings' purchase of the Chess Masters from Red Dog, the Ninth Circuit observed that this "clearly does not qualify as a contact with California." Similarly, the court noted that although MCA made much of the fact that Holdings' name was found on the back of numerous compact discs distributed in California, "there is no evidence that Holdings (and not Records) was responsible for including it there." As to International's worldwide license to Records, the Court found that this license "cannot support jurisdiction because it specifically excluded the United States from its territory." (App. 18-19.) And the Ninth Circuit summarily rejected any possibility that Holdings and International were subject to general jurisdiction, noting that their contacts with California "fall well short of that required for general jurisdiction." (App. 19.)

Indeed, the only basis upon which the Ninth Circuit found specific jurisdiction over Holdings and International was the license to use one song, "The White Cliffs of Dover," for use in a movie soundtrack record for "The Crying Game." In this regard, the Ninth Circuit summarized its reasoning, and the one jurisdictional fact upon which it was based, in one sentence: "Holdings' license to International and International's license to the makers of 'The Crying Game' do, however, satisfy the purposeful availment requirement." (App. 19.)[2]

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[2] Furthermore, the cases cited by MCA do not support its argument that Holdings' and International's "license to sell Chess recordings" is sufficient to confer California jurisdiction. *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137 (7th Cir. 1975); *Pony International, Inc. v. Genfoot America, Inc.*, 223 U.S.P.Q. 1150 (S.D.N.Y. 1983); and *Business Trends Analysts v.*

Building on this one fact, the Ninth Circuit held that since trademark infringement is a commercial tort, and since MCA "resided" in California, the purposeful availment requirement for specific jurisdiction was satisfied so long as Holdings and International were aware of MCA's rights, knew that MCA was a California corporation, and knew that their licensing activities would result in infringing products being distributed in the United States. (App. 20.) With all respect, this is not so. The facts were to the contrary; and, in any event, the logic does not follow.

Factually, the record does not support the Ninth Circuit majority's conclusion in two important respects. First, nothing in the record shows that either Holdings or International knew that MCA was a California corporation. If that "fact" matters, as the Ninth Circuit held it did, the record offers no support. Second, and even more

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Freedonia Group, Inc., 650 F.Supp. 1452 (S.D.N.Y. 1987) were all decided before this Court enunciated the stream of commerce rule in *Asahi*.

In addition, in *Lipton v. The Nature Co.*, 781 F.Supp. 1032 (S.D.N.Y. 1992), the court held the defendant subject to New York jurisdiction under New York's long-arm statute, and did not even discuss Fourth Amendment principles. The court in *Cadence Design Systems, Inc. v. Venlog, S.A.*, 779 F.Supp. 473 (N.D. Cal. 1991) allowed California jurisdiction over the foreign defendant where the defendant had attended trade shows in California, promoted its product in California, actively sought to establish business relationships with California companies, made 24 business contacts in California, and advertised in a trade publication distributed in California. The numerous direct contacts made by the *Cadence* defendant are entirely distinguishable from the stream of commerce analysis in this case.

fundamentally, there was no evidence that the soundtrack album or its packaging contained any reference to Holdings, International, or the "Chess" name or logo. In fact, they did not. As a result, the Ninth Circuit's observations regarding the intentional tort of "trademark infringement" are simply wrong. And that, even according to the Ninth Circuit's analysis, makes all the difference. Why? Because the majority acknowledged that without an intentional tort, the licenses themselves would likely not be enough to establish jurisdiction:

> We recognize that, were Holdings and International not guilty of an intentional tort, the commercial aspects of their activities – granting a worldwide, nonexclusive license – would most likely be insufficient to establish purposeful availment in California.

(App. 21.)

Beyond these very significant factual errors, there is an even more fundamental legal flaw in the Ninth Circuit's analysis: it pushes the "stream of commerce" concept of personal jurisdiction, which this Court rejected in *Asahi*, to a level that is even more clearly inconsistent with fundamental fairness and constitutional due process. The most basic facts regarding the only issue that mattered to the Ninth Circuit – the licenses regarding "The Crying Game" – are not in dispute. Holdings, a Panamanian company, acquired a license to the Chess catalog from a Louisiana corporation. Holdings then licensed worldwide rights in the catalog to International, a Danish company. International, in turn, granted a license to a British company to use a single song from the Chess catalog (but *not* the "Chess" trademark) in a

motion picture soundtrack. (ER 920:13.) That agreement did not authorize use of the song in the movie itself. (ER 920:14, 921:17.) Yet the Ninth Circuit found that stream of commerce, at least two (or even three) steps removed, was sufficient to constitute purposeful availment.

Taken to its logical conclusion, this reasoning would mean that a worldwide licensor of artistic materials, or indeed almost any entity that participates in such licensing, would thereby be subject to worldwide personal jurisdiction. Or that a foreign licensor who has never directly licensed any product for distribution in the United States, or even conducted business here, would nonetheless be subject to suit in almost any state. With all respect, that is not and cannot be the law.

Finally, MCA's assertion that it would be denied effective protection in respect of its trademark unless petitioners were subject to jurisdiction in California is simply incorrect. If its trademark claims are valid, MCA has ample remedies against those persons and entities who actually sold the products in question in California, including record stores, distributors, and other entities that are clearly subject to jurisdiction in the United States. But in accordance with this Court's holding in *Asahi*, those remedies should not include asserting jurisdiction over foreign defendants, such as petitioners, who were many steps removed in the distribution process and whose only involvement was licensing activities that were unquestionably lawful in the foreign jurisdiction

where they took place.[3] Any other conclusion would simply be "stream of commerce" by another name.

CONCLUSION

In *Asahi*, this Court cautioned that "[g]reat care and reserve should be exercised when extending our notions of personal jurisdiction into the international field." The Court also held that merely placing a product in the stream of commerce with an expectation or awareness that it would reach the forum state is not sufficient to give rise to specific jurisdiction:

> The placement of a product into the stream of commerce, without more, is not an act of the defendant purposefully directed toward the forum State. . . . [A] defendant's awareness that the stream of commerce may or will sweep the product into the forum State does not convert the mere act of placing the product into the stream into an act purposefully directed toward the forum State.

Asahi, 107 S.Ct. at 115, 132.

The Ninth Circuit's disposition of this case disregards this important constitutional limitation and represents a far-reaching challenge to well-established Fourteenth Amendment principles of due process. This petition thus squarely raises a narrowly focused, increasingly important legal issue of constitutional dimension. It

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[3] As noted in the petition, the court in Belgium has recently ruled that Holdings is the owner of the "Chess" trademark in Benelux (Belgium, Holland, and Luxembourg).

also presents a unique opportunity for this Court to amplify and clarify its benchmark holding in *Asahi* in the context of an ever-increasing availability of artistic materials in the "stream of commerce" worldwide. This petition should therefore be granted.

Respectfully submitted,

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